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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/1/07

SPONSOR Hall LAST UPDATED \_\_\_\_\_ HB 783

SHORT TITLE Educational Entity Insurance Coverage SB \_\_\_\_\_

ANALYST Propst

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Insurance Authority

### SUMMARY

#### Synopsis of Bill

House Bill 783 amends the definition of educational entities eligible to participate in the Public School Insurance Authority. It expands the definition to include “non-profit organizations dedicated to the improvement of public education and whose membership is composed exclusively of public school employees, public schools or school districts”.

### FISCAL IMPLICATIONS

PSIA estimates minimal fiscal impact as a result of HB 783.

### SIGNIFICANT ISSUES

According to the FY 06 audit of PSIA, “There are three non-governmental not for profit entities with approximately 50 total employees that are included as NMPSIA members but are not technically eligible to be members per NM State Law Chapter 22 NMSA.” These three groups (NEA, NMAA, and AFTNM) have been participating in PSIA since PSIA’s inception in 1987. By statute, NEA has two members on the PSIA Board and AFTNM has one member on the PSIA Board.

At its December 2006 Board meeting, the PSIA Board directed staff to put forth legislation to clarify the statutory definition of educational entities to address the eligibility of employees of education related groups to participate in PSIA. Without such clarification, PSIA would be forced to terminate coverage on NEA, NMAA, and AFTNM and these groups would have to secure coverage on an individual basis.

### **ADMINISTRATIVE IMPLICATIONS**

Expansion of the definition of educational entities would allow PSIA to continue to insure these three groups and would also allow other educational entities (CES, NMSBA, etc.) to elect to participate in PSIA.

Since the three groups in question are already in PSIA, no additional administrative work is needed. If any additional educational entities sought coverage with PSIA, PSIA has the processes in place to enroll them into the pool.

### **OTHER SUBSTANTIVE ISSUES**

PSIA reports that an issue of anti-donation may exist if it is historically shown that these groups' loss ratios exceed the average PSIA pool loss ratio and an argument could be made that these non-governmental groups' premiums are subsidized by the school districts. However, since these groups represent less than 2/10% of the entire PSIA pool, the impact of any possible anti-donation restriction is not significant. Court rulings on 'deminimis' standards would apply.

Total PSIA Monthly Medical Premium: \$17,641,204

Total Monthly Medical Premium NEA, NMAA, AFTNM: \$29,634

Total PSIA Medical Employees: 25,540

Total NEA, NMAA, AFTNM Medical Employees: 46

Expansion of eligibility will offer improve availability of insurance coverage for those other educational entities currently securing coverage on their own. Other educational entities have expressed a desire to join the PSIA pool, for example, Cooperative Educational Services.

WEP/mt